

REPORT TO: POLICY & RESOURCES COMMITTEE - 9 JUNE 2014

REPORT ON: TENDERS RECEIVED FOR THE PUBLIC SERVICE OBLIGATION FLIGHTS TO LONDON

REPORT BY: DIRECTOR OF CITY DEVELOPMENT

REPORT NO: 262-2014

1 PURPOSE OF REPORT

- 1.1 To set out the tenders received for the Public Service Obligation Flights to London and to agree the necessary funding package for these flights.

2 RECOMMENDATION

- 2.1 It is recommended that the Committee:
- a agree to award the PSO contract to Loganair Ltd for their proposed service between Dundee and London Stansted as set out in this report; and
 - b agrees to the details of the funding package as set out in this report and specifically agreeing to a contribution of up to £200,000 payable in financial year 2016/17 from the budget provision for supporting the London Air Service accumulated from financial years 2014/15, 2015/16 and 2016/17.

3 FINANCIAL IMPLICATIONS

- 3.1 The Director of Corporate Services reports that the sums can be contained within the revenue budget allowances for support of services from Dundee Airport.

4 BACKGROUND

- 4.1 As previously reported, a Public Service Obligation for flights between Dundee and London was approved in December of 2013. Subsequently, the Council advertised a tender for this service and received 3 valid bids all from Loganair Ltd. A further bid was received from Caledonian Aviation but that did not meet the minimum standard required and was not considered.
- 4.2 The 3 bids received were for services between Dundee and Luton/Stansted and Southend. The subsidies required for the initial period of 2 years contained in the bids were as follows:
- | | |
|-----------------|---------------|
| Dundee/Southend | £3.924million |
| Dundee/Luton | £3.381million |
| Dundee/Stansted | £3.247million |
- 4.3 After consideration of these bids the tender for the service to Stansted was selected as the preferred bid.
- 4.4 The service to be provided will consist of 2 return flights daily Monday to Friday and one return flight on Sunday. The duration of the contract will be for 2 years with the option to extend for a further 2 years subject to subsequent agreement and funding.
- 4.5 Subsequent to the selection of the preferred bid, discussions were held with the Department for Transport in London concerning access to their fund for the support of air services between regions of the UK and London. This fund was created in the budget in March 2013 and is funded for the financial years 2014/2015 and 2015/2016. It should be noted that the preferred tender is for a service covering the 2 years between 1 July 2014 and 30 June 2016.

- 4.6 The guidelines for this fund do indicate that it is expected that the local area will make a contribution to the cost of any subsidy required. The Dundee/London service is the first application to this fund.
- 4.7 The Department for Transport have indicated that they can make available the sum of £2,849,176.42p to cover the period to 31 March 2016. This leaves a contribution of £398,063.65p to be met by the City Council. Transport Scotland has indicated that it would be willing to pay half of this sum leaving the City Council to contribute just less than £200,000. The Director of Corporate Services advises that this can be met in 2016/17 from the accumulated revenue budget allocation for support for the London Air Service over the financial years concerned.

5 POLICY IMPLICATIONS

- 5.1 This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6 CONSULTATIONS

- 6.1 The Chief Executive, the Director of Corporate Services and Head of Democratic and Legal Services have been consulted and are in agreement with the contents of this report.

7 BACKGROUND PAPERS

- 7.1 There are no background papers of relevance to this report.

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29 May 2014

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